

ECONOMIC TRADE-OFFS of AGRICULTURAL CONSOLIDATION

Farmer Cooperatives Conference

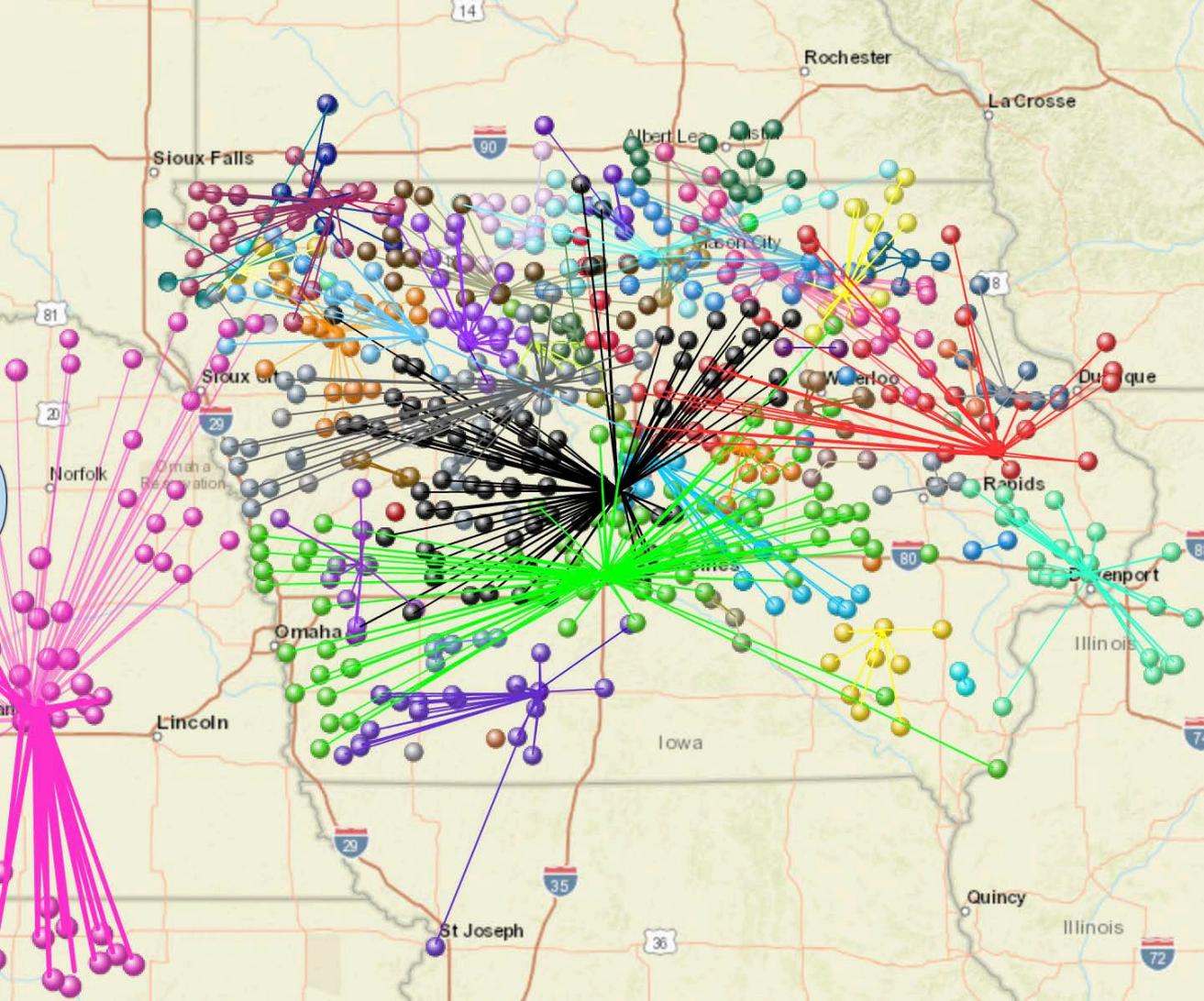


Keri Jacobs, Asst. Professor, Iowa State University

Rich Sexton, Professor, UC Davis

Allen Wegner, Board Chairman, MKC

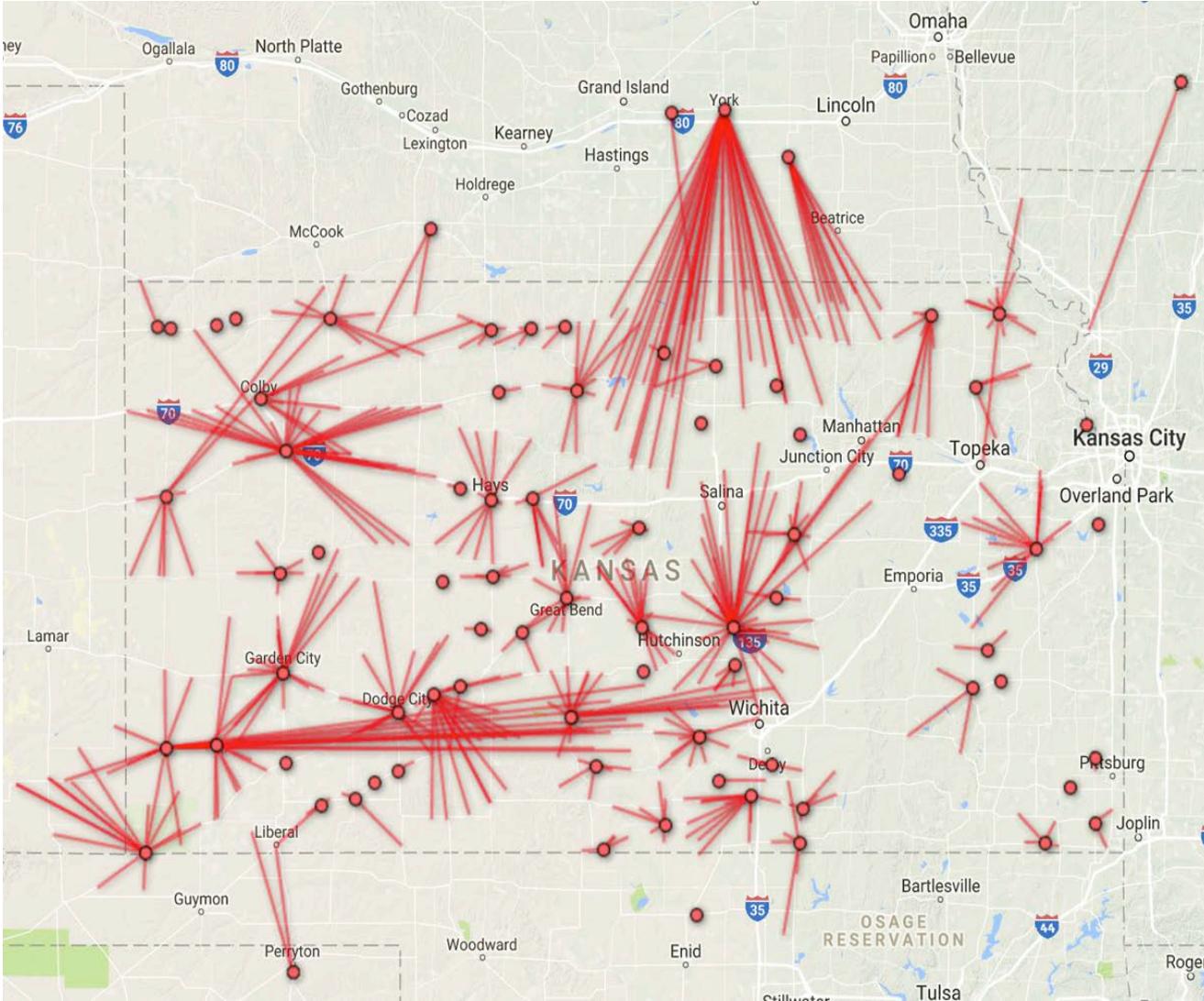
Alan Woodard, CEO, Comark Equity Alliance



IOWA G&FS CO-OPS

Source: Iowa Institute
for Cooperatives



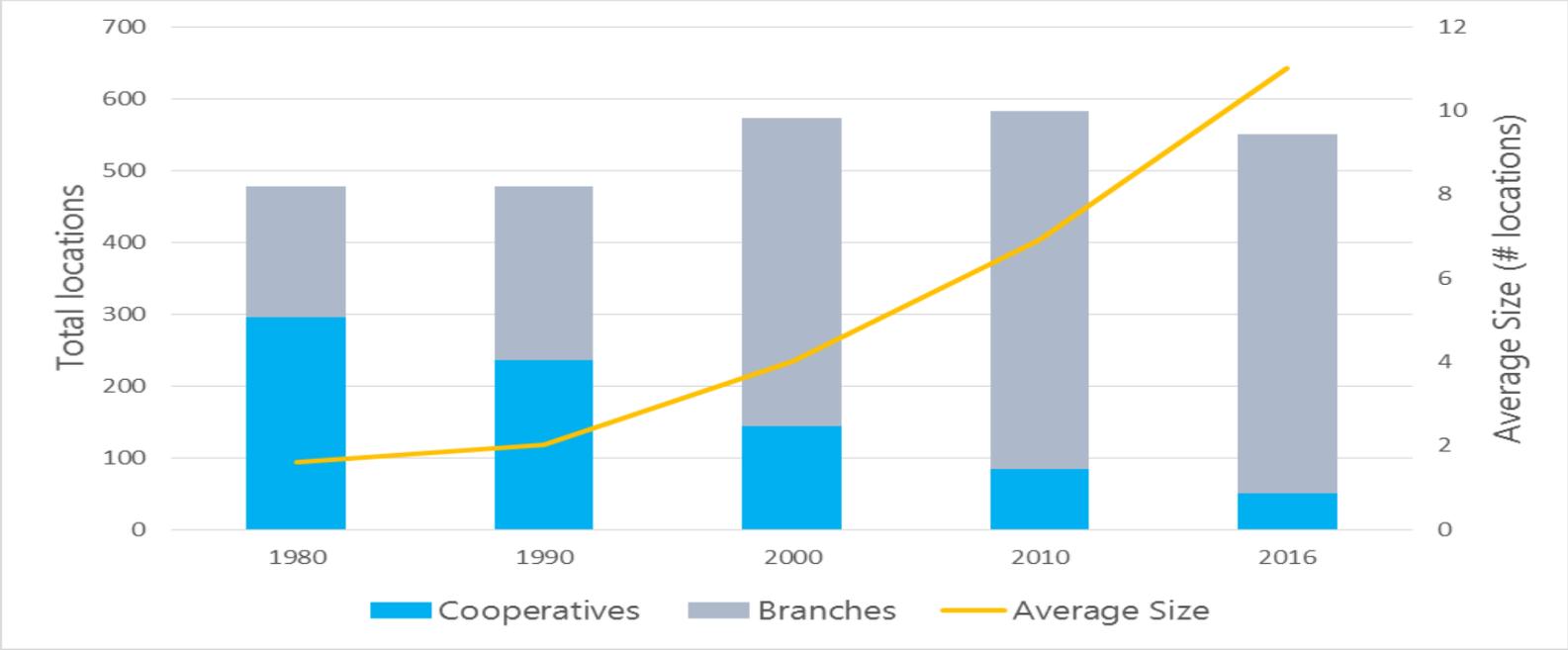


KANSAS G&F'S CO-OPS

Source: Arthur Capper
Cooperative Center, KSU



IOWA CO-OPS ARE DOUBLING IN “SIZE” ABOUT EVERY 10 YEARS



WHAT WE KNOW

- It's not new, but it feels different
- The squeeze is on
- It's not going away
- It is not driven by the downturn, but that is making it harder
- Bigger is not *necessarily* better



WHY MERGE?

- More output with fewer inputs
- Enhanced cost efficiency in admin and operations
- Access to strategic assets
- Value creation for producers
- Everyone else is doing it



WHY **NOT** MERGE?

- Managing members' value proposition from co-op easier for smaller companies
- Financial strength with a solid core business
- Culture
- Able to innovate and be nimble by staying strategically small
- Governance



THE CRUX

- “The co-op is just another big business.”
- “It’s not my co-op anymore.”

The member-level frictions created through consolidation have significant financial implications.

Consolidation – the act of it – is fundamentally putting at odds members’ values and perceptions with leaderships’ values and perceptions.



WHAT CO-OPS NEED TO FIGURE OUT...and QUICK

- At what point does a co-op cross that threshold from being “the farmers’ co-op” to “just another big business”?
- How does heterogeneity of members impact the value proposition of the co-op and what can be done about it?
- How do you ensure that all members benefit from the joint provision of value in a perceived and real way?



SOLUTIONS

A re-alignment of farmer and board / management.

We have to stop talking narrowly about 'value.'

Farmers may be losing sight of THE most important function of their cooperative.





RICHARD SEXTON

Professor, UC Davis

**Role of consolidation and
coordination on efficiency
in supply chains**





ALLAN WEGNER

**Board Chair, Mid Kansas
Cooperative (MKC)**

**Experiences with and
perspectives on
mergers**





ALAN WOODARD

**CEO, Comark Equity
Alliance (CEA)**

**An alternative to
merger: alliances**

